



# Honduran-U.S. Relations

**Peter J. Meyer**

Analyst in Latin American Affairs

**Mark P. Sullivan**

Specialist in Latin American Affairs

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## Summary

The Central American nation of Honduras, one of the hemisphere's poorest countries, faces significant challenges in the areas of crime, human rights, and improving overall economic and living conditions. While traditional agricultural exports of coffee and bananas are still important for the economy, nontraditional sectors, especially the maquiladora, or export-processing industry, have grown significantly over the past decade. Among the country's development challenges are a poverty rate over 60%, high infant mortality, and a significant HIV/AIDS epidemic. Despite these challenges, increased public spending on health and education have reaped significant improvements in development indicators over the past decade.

Current President Manuel Zelaya of the Liberal Party won a four-year term in the November 2005 elections. The country has enjoyed 27 years of uninterrupted elected civilian democratic rule. The economy, which grew 6.3% in 2007 and is expected to have grown 4% in 2008, has benefitted from significant debt reduction by the international financial institutions that is freeing government resources to finance poverty-reduction programs. The U.S. recession and global financial crisis, however, are expected to slow Honduran economic growth sharply in 2009.

The United States has a close relationship with Honduras, characterized by an important trade partnership, a U.S. military presence in the country, and cooperation on a range of transnational issues. In addition to being a party to the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA), Honduras has cooperated extensively with the United States on counternarcotics and port security. Some 78,000 Hondurans living in the United States have been provided temporary protected status (TPS) since the country was devastated by Hurricane Mitch in 1998.

U.S. foreign aid to Honduras amounted to \$44 million in FY2008 and an estimated \$47 million in FY2009. Honduras is also likely to receive a portion of the \$105 million in assistance dedicated to Central America in 2009 under the Mérida Initiative, which was designed to boost the region's capabilities to interdict the smuggling of drugs, arms, and people and support a regional anti-gang strategy. For FY2010, the Obama Administration requested over \$68 million in assistance for Honduras as well as an additional \$100 million for the continuation of the Mérida Initiative in Central America. Beyond traditional foreign assistance, the Millennium Challenge Corporation approved a five-year \$215 million compact with Honduras in 2005.

For additional information, see CRS Report RL34112, *Gangs in Central America*, by Clare Ribando Seelke; CRS Report RL31870, *The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*, by J. F. Hornbeck; and CRS Report R40135, *Mérida Initiative for Mexico and Central America: Funding and Policy Issues*, by Clare Ribando Seelke and June S. Beittel.

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## Recent Developments

On March 24, 2009, President Zelaya issued a decree calling for a popular referendum on the convocation of a national constituent assembly to amend the constitution (See “Constitutional Referendum” below).

On March 14, 2009, Honduras announced an economic stimulus plan totaling \$250 million (1.7% of GDP). The plan includes a new credit line for the private sector, funds for social services, and increased and accelerated spending on public infrastructure projects.

On March 11, 2009, President Obama signed into law the Omnibus Appropriations Act of 2009 (P.L. 111-8), which included \$105 million for the Mérida Initiative in Central America to support the region’s fight against drug trafficking, gangs, and organized crime.

On January 9, 2009, President Zelaya signed a letter of agreement with the United States concerning the Mérida Initiative.

On November 30, 2008, Honduras held primary elections to determine the candidates for the November 2009 elections. Porfirio Lobo Sosa, the opposition National Party’s 2005 presidential nominee, once again won the support of his party. The Liberal Party’s presidential nominee will be former Vice President Elvin Santos (See “November 2009 Elections” below).

On October 9, 2008, the Honduran Congress ratified the country’s membership in the Bolivarian Alternative of the Americas (ALBA), an initiative launched by Venezuelan President Hugo Chávez in 2004 and signed onto by President Zelaya in August 2008. ALBA is a socially oriented trade block that includes cooperation in a range of areas such as health, education, culture, investment, and finance. Other ALBA members include Venezuela, Bolivia, Cuba, Dominica, and Nicaragua. The agreement follows the Honduran government’s January 2008 decision to participate in PetroCaribe, the Venezuelan program that provides oil at preferential discounted rates to Caribbean countries.

On October 1, 2008, the U.S. Secretary of Homeland Security announced that the United States would extend temporary protected status (TPS) by 18 months for more than 70,000 eligible Hondurans in the United States. TPS for Hondurans was scheduled to expire on January 5, 2009. It originally was provided in the aftermath of Hurricane Mitch in 1998, and has now been extended seven times. (See “Migration Issues” below.)

On September 19, 2008, President Zelaya accredited the new U.S. Ambassador to Honduras, Hugo Llorens, after a one week delay that the Honduran President maintained was to show solidarity with Bolivia in its diplomatic spat with the United States. Bolivia had expelled the U.S. Ambassador for allegedly inciting opposition protests.

## Political and Economic Conditions

A Central American nation with a population of about 7.4 million, Honduras has enjoyed 27 years of uninterrupted civilian democratic rule since the military relinquished power in 1982 after free and fair elections. With a per capita income of \$1,600 (2007), Honduras is classified by the World Bank as a lower middle income developing economy, and remains one of the poorest countries in the hemisphere.<sup>1</sup> Traditional agricultural exports of coffee and bananas are still important for the Honduran economy, but nontraditional sectors, such as shrimp farming and the maquiladora, or export-processing industry, have grown significantly over the past decade. Among the country's development challenges are an estimated poverty rate over 60%; an infant mortality rate of 31 per 1,000; and chronic malnutrition for one out of three children under five years of age. Honduras also has a significant HIV/AIDS crisis, with an adult infection rate of 1.5% of the population. The Garifuna community (descendants of freed black slaves and indigenous Caribs from St. Vincent) concentrated in northern coastal areas has been especially hard hit by the epidemic. Despite these challenges, the World Bank maintains that increased public spending on health and education has reaped significant improvements in development indicators over the past decade.<sup>2</sup>

Current President Manuel Zelaya of the Liberal Party won the November 2005 election 49.9% to 46.17%, narrowly defeating his National Party rival Porfirio Lobo Sosa, the head of the Honduran Congress. While the process was deemed free and fair, technical difficulties caused a delay in the official vote count, and resulted in Lobo waiting until December 7, 2005, to concede defeat.

The Liberal (PL) and National (PN) parties traditionally have been the country's two dominant political parties. Both are considered center-right parties, and there appear to be few major ideological differences between the two. During the 2005 campaign, both candidates broadly supported the direction of the country's market-oriented economic policy, but they emphasized different approaches in dealing with crime perpetrated by youth gangs. Lobo called for tougher action against gangs by reintroducing the death penalty (which was abolished in 1957) and increasing prison sentences for juvenile delinquents, whereas Zelaya opposed the death penalty and emphasized a more comprehensive approach that would include job creation and training. Zelaya also campaigned for more citizen involvement and transparency in government and promised to increase social programs and combat corruption.

### Manuel Zelaya

Born in 1952, José Manuel "Mel" Zelaya Rosales hails from Olancho department in rural eastern Honduras. Zelaya studied civil engineering in college, but left his studies for business, investing in timber and cattle. He owns a ranch in Olancho. Zelaya joined the Liberal Party in 1970, and became party coordinator for the departments of Olancho and Colón in 1980. He was first elected to Congress in 1985 and won three additional terms. He served as head of the Honduran Social Investment Fund from 1994-1997 and again from 1998-2001 in two Liberal Party Administrations. He founded a progressive faction of the Liberal Party, and won the party's presidential primary in February 2005 before winning the general election.

**Sources:** "Manuel Zelaya," Biography Resource Center Online, Gale, 2006; People Profile Manuel "Mel" Zelaya, *LatinNews.com*, November 15, 2006.

<sup>1</sup> World Bank, World Development Report, 2009.

<sup>2</sup> "Honduras Country Profile," *Economist Intelligence Unit*, 2008; World Bank, "Honduras Country Brief," September 2006, and "Fighting Malnutrition in Central America," December 19, 2006; U.N. Economic Commission for Latin America and the Caribbean, "Social Panorama of Latin America 2007," August 2008; Also see CRS Report RL32713, *Afro-Latinos in Latin America and Considerations for U.S. Policy*, by Clare Ribando Seelke and June S. Beittel.

## Challenges for the Zelaya Government

Inaugurated to a four-year term on January 27, 2006, Zelaya succeeded President Ricardo Maduro of the National Party, who was elected in 2001. During his tenure, Zelaya has faced longstanding challenges in the areas of crime, human rights, and improving overall economic and living conditions in one of the hemisphere's poorest countries. In the 2005 legislative elections that were held simultaneously with the presidential elections, Zelaya's Liberal Party won 62 seats in the 128-member Congress, just short of a majority. This has made it more difficult for the Zelaya government to enact its legislative agenda.

Zelaya enjoyed high approval ratings early in his administration, buoyed by the strong performance of the economy, his efforts to fulfill campaign pledges of free school enrollment and an increase in teachers' pay, and his efforts to curb rising fuel costs.<sup>3</sup> Public support for Zelaya has evaporated, however, as his Administration has struggled to achieve concrete results on a number of issues of importance. Most Hondurans have not seen an improvement in their living standards as poverty, unemployment, and inflation have remained high. Violent crime has also increased. According to the United Nations Development Program, the country's 2008 murder rate reached 57.9 per 100,000 inhabitants, a 25.2% increase from 2007 and one of the highest rates in the world.<sup>4</sup> In May 2008, some 30,000 Hondurans marched in protest in of high crime rates in San Pedro Sula, the country's second largest city. Although he has advocated transparency in government, Zelaya has faced several corruption scandals during his term. A number of high ranking officials have been forced to resign and the transparency law passed by his Administration has been criticized as having too many loopholes.<sup>5</sup>

## November 2009 Elections

President Zelaya's governing agenda has begun to be overshadowed by the upcoming November 2009 elections. Primary elections to select the parties' nominees were held in November 2008. Although the primaries were deemed free and fair, four politicians—three members of the PL and one member of the PN—were killed by masked gunmen in the weeks before the elections. It is unclear whether the murders were political, drug-related (one politician was a member of the congressional committee on security and narco-trafficking), or random acts of violence.<sup>6</sup> Porfirio Lobo Sosa won 81% of the primary vote to once again claim the PN presidential nomination. Former Vice President Elvin Santos is the PL presidential nominee.

In August 2008, the Supreme Electoral Tribunal (TSE) had ruled that Santos was constitutionally ineligible for the presidency because he had served as president during Zelaya's absences from the country and the constitution prohibits presidential re-election. Nonetheless, Santos continued to campaign and registered his lawyer, Mauricio Villeda, as a stand-in candidate. Villeda then surprisingly defeated Zelaya's favored candidate, head of congress Roberto Micheletti, 52%-32% in the PL primary.<sup>7</sup> Following Santos' resignation as Vice President and congressional approval of

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<sup>3</sup> "Un 57 Pct de Hondureños Aprueba Gestión Presidente Zelaya," *Reuters*, January 24, 2007; "Honduras Country Report," *Economist Intelligence Unit*, January 2007.

<sup>4</sup> "Honduras report signals rising violence," *Latin News Daily*, February 22, 2009.

<sup>5</sup> Thelma Meja, "Corruption: Honduras Grapples with Murky Transparency Law," *Global Information Network*, February 23, 2007.

<sup>6</sup> "Honduras: Primaries turn bloody," *Latin News Weekly Report*, November 27, 2008.

<sup>7</sup> "Divisive primaries split ruling PL," *Latin American Caribbean & Central America Report*, December 2008.

a decree that stated a vice president could only be barred from running for president if he or she had served as president within the last 6 months of his or her mandate, the PL registered Santos as its official presidential candidate. Although Micheletti originally refused to recognize Santos as the party nominee, he relented after Santos offered him the presidency of the PL leadership committee. Santos represents the traditional conservative faction of the Liberal Party.<sup>8</sup>

## Constitutional Referendum

In March 2009, President Zelaya issued a decree calling on the National Statistics Institute (INE) to hold a popular referendum by the end of June 2009 to determine if the country should include an additional ballot question in the November 2009 general elections on whether Honduras should convoke a national constituent assembly to amend the constitution. Zelaya has argued that presidential reelection should be possible and that the constitution—drafted in 1982—must be made to reflect the “substantial and significant changes” that have taken place in Honduran society in recent years.<sup>9</sup>

The proposal was immediately criticized by officials from across the Honduran political spectrum. The PL head of congress expressed firm opposition, the presidential candidates of both the PL and the PN accused Zelaya of trying to perpetuate himself in power, and the attorney general’s office charged that Zelaya was violating the constitution—which states that the prohibition on presidential reelection cannot be amended under any circumstances. Both presidential candidates have slightly reversed themselves, however, as Lobo now wants a referendum in November 2009 for a constituent assembly in July 2010 and Santos is open to a referendum occurring sometime in 2010. In order for a referendum to occur, 86 of the 128 legislators in the Honduran Congress would have to approve the request. The TSE could then call a referendum, which would need 51% of the electorate to participate for the result to be valid.<sup>10</sup> Given the strong opposition within both major parties, it is unlikely any referendum will occur until Zelaya is out of office. Nonetheless, Zelaya has continued to push forward, maintaining that “it is going to happen and nothing will stop it.”<sup>11</sup>

## Economic Situation

Honduras was devastated by Hurricane Mitch in 1998, which killed more than 5,000 people and caused billions of dollars in damage. The gross domestic product declined by 1.4% in 1999, and the country felt the effects of the storm for several years, with roads and bridges washed out, the agricultural sector hard hit, and scores of orphaned children, many of whom joined criminal gangs. Spurred on by substantial U.S. foreign assistance, however, the economy rebounded by 6% in 2000, and has remained positive ever since. More recently, the economy registered growth rates of 4.1% in 2005, 6.3% in 2006 and 2007, and an estimated 4% in 2008.<sup>12</sup> Despite this economic improvement, Honduras remains one of the most impoverished nations in Latin America. It has a poverty rate over 60% and according to a 2005 study by the National Institute

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<sup>8</sup> “Honduras’ Vice President Regains the Right to Run; Elvin Santos is Partido Liberal Presidential Candidate,” *Latin America Data Base NotiCen*, March 5, 2009.

<sup>9</sup> “Constitutional reform or power grab?,” *Latin American Weekly Report*, March 26, 2009.

<sup>10</sup> “Country Report: Honduras,” *Economist Intelligence Unit*, April 2009.

<sup>11</sup> “Honduras: Zelaya could face impeachment,” *Latin American Weekly Report*, April 2, 2009.

<sup>12</sup> “Honduras: Country Report,” *Economist Intelligence Unit*, September 2008 and January 2009.



of Statistics, only 26% of the economically active population works in non-subsistence positions with non-precarious salaries.<sup>13</sup>

In April 2008, Honduras signed a \$64 million standby agreement with the International Monetary Fund (IMF) designed to support the government's economic policy program of continuing high growth levels, containing inflation, and reforming the electricity sector. The government maintained the agreement would open up more than \$225 million in foreign loans for the country. In past years, Honduras had negotiated three poverty reduction and growth facility (PRGF) agreements with the IMF that imposed fiscal and monetary targets on the government to maintain firm macroeconomic discipline and to develop a comprehensive poverty reduction strategy. The most recent PRGF agreement, which expired in February 2007, made Honduras eligible for about \$1 billion in debt relief under the IMF and World Bank's Highly Indebted Poor Countries (HIPC) Initiative. The Inter-American Development Bank (IDB) also announced a debt forgiveness program in late 2006 for its poorest members, including Honduras, which benefitted from a reduction of \$1.4 billion in foreign debt, freeing government resources to finance poverty-reduction programs.<sup>14</sup>

The global financial crisis and U.S. economic slowdown have taken a toll on the Honduran economy as remittances, foreign investment, and demand for Honduran exports have fallen sharply. Remittances are expected to decline by \$112 million in 2009, a loss of 1% of GDP.<sup>15</sup> Likewise, exports were down 15% in the first quarter of 2009.<sup>16</sup> Unemployment is also rising. Over 180,000 Hondurans have lost their jobs since October 2008.<sup>17</sup> To confront the economic downturn, the Honduran government announced a plan to spend \$250 million (1.7% of GDP) in public and private funds to stimulate the economy. Among other provisions, the plan includes a credit line for the private sector, capital for the banking sector, new funds for social services, and increased and accelerated spending on public infrastructure projects.<sup>18</sup> The International Monetary Fund (IMF) expects the Honduran economy to grow by just 1.5% in 2009 and 1.9% in 2010.<sup>19</sup>

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<sup>13</sup> "Honduras Country Profile," *Economist Intelligence Unit*, 2008

<sup>14</sup> "Honduras: Country Report," *Economist Intelligence Unit*, April 2007; Nestor Ikeda, "Inter-American Development Bank Forgives Debt of 5 Nations," *Associated Press*, March 17, 2007.

<sup>15</sup> "Downturn in the US leads to first decline in remittances by migrants," *Latin American Weekly Report*, May 21, 2009.

<sup>16</sup> "Honduras: Trade down, budget problems and elections loom," *Latin American Economy & Business*, May 2009.

<sup>17</sup> "Desempleo aumentará a causa de crisis económica," *La Prensa* (Honduras), May 22, 2009.

<sup>18</sup> "Honduras: Country Report," *Economist Intelligence Unit*, April 2009.

<sup>19</sup> International Monetary Fund, "World Economic Outlook," April 2009.

Figure 1. Map of Honduras



Source: Map Resources. Adapted by CRS Graphics.

## Issues in U.S.-Honduran Relations

The United States has had close relations with Honduras over many years, characterized by significant foreign assistance, an important trade relationship, a U.S. military presence in the country, and cooperation on a range of transnational issues. The bilateral relationship became especially close in the 1980s when Honduras returned to democratic rule and became the lynchpin for U.S. policy in Central America. At that time, the country became a staging area for U.S.-supported excursions into Nicaragua by anti-Sandinista opponents known as the *contras*.

Today, overall U.S. policy goals for Honduras include a strengthened democracy with an effective justice system that protects human rights and promotes the rule of law, and the promotion of sustainable economic growth with a more open economy and improved living conditions. The United States also cooperates with Honduras to deal with such transnational issues as narcotics trafficking, money laundering, the fight against terrorism, illegal migration, and trafficking in persons, and supports Honduran efforts to protect the environment and combat HIV/AIDS. There

are some 800,000 to 1 million Hondurans residing in the United States, who sent an estimated \$2.8 billion in remittances to Honduras in 2008, roughly a fourth of the country's gross domestic product.<sup>20</sup>

According to some analysts, President Zelaya has jeopardized Honduras' traditional close relations with the United States by forging closer relations with Venezuelan President Hugo Chávez and his allies.<sup>21</sup> In addition to joining Venezuela's PetroCaribe and Bolivarian Alternative for the Americas (ALBA), Zelaya delayed the accreditation of U.S. Ambassador to Honduras Hugo Llorens by one week in September 2008 in order to show solidarity with Bolivia in its diplomatic spat with the United States. President Zelaya reportedly took a softer tone in his first official meeting with Ambassador Llorens, however, and described the United States "as an ally and friend." Zelaya maintains that he has been forced to turn to Venezuela for assistance in addressing high food and energy prices as a result of insufficient U.S. support.<sup>22</sup>

## Economic Linkages

U.S. trade and investment linkages with Honduras have increased greatly since the early 1980s. In 1984, Honduras became one of the first beneficiaries of the Caribbean Basin Initiative (CBI), the unilateral U.S. preferential trade arrangement providing duty-free importation for many goods from the region. In the late 1980s, Honduras benefitted from production-sharing arrangements with U.S. apparel companies for duty-free entry into the United States of certain apparel products assembled in Honduras. As a result, maquiladoras or export-assembly companies flourished, most concentrated in the north coast region. The passage of the Caribbean Basin Trade Partnership Act in 2000 (CBTPA), which provided Caribbean Basin nations with NAFTA-like preferential tariff treatment, further boosted Honduran maquiladoras. Trade relations expanded again following the implementation of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), which entered into force with Honduras in April 2006.

The United States is by far Honduras' largest trading partner. In 2008, the United States was the destination of about 37% of Honduran exports and the origin of about 37% of its imports. Honduras is the largest Central American exporter to the United States and the top Latin American exporter of knit apparel to the United States. In 2008, U.S. exports to Honduras amounted to about \$4.8 billion, up 31% from 2006. Knit and woven apparel inputs accounted for a substantial portion, as did machinery and petroleum. U.S. imports from Honduras amounted to about \$4 billion in 2008, with knit and woven apparel (assembled products from the maquiladora sector) accounting for the lion's share. Other Honduran exports to the United States include coffee, seafood, bananas, electrical wiring, gold, and tobacco.<sup>23</sup> In terms of investment, the stock of U.S. foreign direct investment in Honduras amounted to \$968 million in 2007, concentrated in the manufacturing sector.<sup>24</sup> More than 150 U.S. companies operate in Honduras, with investments in the maquila or export assembly sector, fruit production, tourism, energy generation, shrimp

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<sup>20</sup> U.S. Department of State, "Background Note: Honduras," June 2008; "Latin America: Remittances slide," *Economist Intelligence Unit*, January 26, 2009.

<sup>21</sup> "Honduras: Zelaya Risks ALBA Membership," *Oxford Analytica*, September 16, 2008.

<sup>22</sup> Freddy Cuevas "Honduran Leader: U.S. Apathy Made Him Turn to Chávez," *Associated Press Newswires*, September 19, 2008.

<sup>23</sup> U.S. Department of Commerce statistics, as presented by *Global Trade Atlas*, 2009.

<sup>24</sup> U.S. Department of Commerce, Bureau of Economic Analysis, "Survey of Current Business," September 2008.

farming, animal feed production, telecommunications, fuel distribution, cigar manufacturing, insurance, brewing, food processing, furniture manufacturing, and numerous U.S. restaurant franchises.<sup>25</sup>

Despite the increases in trade and investment that have occurred since the implementation of CAFTA-DR, a number U.S. and Honduran officials have expressed concerns about the agreement. Honduran officials are concerned about the loss of agricultural jobs in the corn, rice, beef, poultry, and pork sectors since the country opened its market to U.S. agricultural products. Some fear that the loss of agricultural employment could lead to social unrest if not addressed properly through long-term investment. While CAFTA-DR has provisions to enforce domestic labor codes and improve labor rights, a number of U.S. officials maintain that the provisions are inadequate given the history of non-compliance with labor laws in many Central American nations. The U.S. State Department's 2008 Country Reports on Human Rights Practices for Honduras found credible evidence that employees engaged in union duties were blacklisted within the maquiladoras and that union leaders were occasionally targeted with threats and violence.<sup>26</sup>

## **U.S. Foreign Assistance**

The United States has provided considerable foreign assistance to Honduras over the past three decades. In the 1980s, the United States provided about \$1.6 billion in economic and military aid as the country struggled amid the region's civil conflicts. In the 1990s, U.S. assistance to Honduras began to wane as regional conflicts subsided and competing foreign assistance needs grew in other parts of the world. Hurricane Mitch changed that trend as the United States provided almost \$300 million in assistance to help the country recover from the 1998 storm. As a result of the new influx of aid, total U.S. assistance to Honduras for the 1990s amounted to around \$1 billion. With Hurricane Mitch funds expended by the end of 2001, U.S. foreign aid levels to Honduras again began to decline.

Recent foreign aid funding to Honduras amounted to about \$49 million in FY2006, almost \$44 million in FY2007, and \$40.5 million in FY2008 (see **Table 1**). For FY2009, an estimated \$43 million in regular foreign aid funding is being provided. In addition, Honduras will likely receive a portion of the \$105 million allocated to Central America through the Mérida Initiative to boost the region's narcotics interdiction capabilities and support a regional anti-gang strategy. For FY2010, the Obama Administration requested over \$68 million in foreign aid for Honduras, including over \$53 million in Development Assistance, \$12 million in Global Health and Child Survival assistance, and \$1.3 million in Foreign Military Financing. U.S. assistance in FY2010 will support a variety of projects designed to enhance security, strengthen democracy, improve education and health systems, conserve the environment, and build trade capacity. In addition to the \$68 million in bilateral assistance requested, Honduras would also likely receive a portion of the \$100 million requested for Central America in FY2010 for the continuation of the Mérida Initiative.

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<sup>25</sup> U.S. Department of State, "Background Note: Honduras," June 2008.

<sup>26</sup> U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, "2008 Country Reports on Human Rights Practices," February 25, 2009.

**Table I. U.S. Foreign Aid to Honduras, FY2006-FY2010**  
(U.S. \$ in thousands)

Account	FY2006	FY2007	FY2008	FY2009 (est.)	FY2010 (req.)
Global Health and Child Survival (USAID) <sup>a</sup>	13,140	12,034	12,035	11,750	11,000
Global Health and Child Survival (State) <sup>b</sup>	—	750	1,000	1,000	1,000
Development Assistance	20,604	15,540	15,149	21,382	53,434
Economic Support Funds	—	175	—	—	—
Foreign Military Financing	891	675	496	400	1,300
International Military Education & Training	1,218	1,404	936	700	700
International Narcotics Control & Law Enforcement	—	—	744	—	800
Nonproliferation, Antiterrorism & Demining	315	268	—	—	—
Food Aid (P.L. 480)	13,105	13,005	10,150	8,000	—
Total	49,273	43,851	40,510	43,232 <sup>c</sup>	68,234 <sup>d</sup>

a. This foreign aid account used to be called “Child Survival and Health,” but was re-labeled with the FY2010 budget request. The majority of U.S. assistance to combat HIV/AIDS has been provided under this account.

b. This foreign aid account used to be called “Global HIV/AIDS Initiative,” but was re-labeled with the FY2010 budget request.

c. The Omnibus Appropriations Act, 2009 (P.L. 111-8) provides \$105 million for Central America under the Mérida Initiative, some of which will likely go to Honduras.

d. The Obama Administration’s FY2010 request includes \$100 million to continue the Mérida Initiative in Central America. Honduras would likely receive some of these funds.

**Sources:** U.S. Department of State, Congressional Budget Justification, Foreign Operations, FY2008-FY2010; Peace Corps, Congressional Budget Justification, FY2007-2009.

Additional foreign assistance is provided to Honduras through the Peace Corps, which has been active in the country since 1963, and the Millennium Challenge Corporation (MCC), which signed a five-year \$215 million compact for Honduras in June 2005. The MCC compact has two components, a rural development project and a transportation project. The rural development project involves providing Honduran farmers with the skills needed to grow and market horticultural crops. The transportation project will improve a highway linking the Atlantic port of Puerto Cortés to Pacific ports and major production centers in Honduras, El Salvador, and Nicaragua. It will also involve improvements to main highways, secondary, and rural roads to enable farmers and other businesses to get their products to markets more efficiently.<sup>27</sup>

<sup>27</sup> Millennium Challenge Corporation, “Honduras Overview,” available at <http://www.mcc.gov/countries/honduras/index.php>.

## U.S. Military Presence

The United States maintains a troop presence of about 550 military personnel known as Joint Task Force (JTF) Bravo at Soto Cano Air Base. JTF Bravo was first established in 1983 with about 1,200 troops, who were involved in military training exercises and in supporting U.S. counterinsurgency and intelligence operations in the region. Today, U.S. troops in Honduras support such activities as disaster relief, medical and humanitarian assistance, counternarcotics operations, and search and rescue operations that benefit Honduras and other Central American countries. Regional exercises and deployments involving active duty and reserve components provide training opportunities for thousands of U.S. troops. In the aftermath of Hurricane Mitch in 1998, U.S. troops provided extensive assistance in the relief and reconstruction effort. JTF Bravo has responded to a number of natural disasters in the region in recent years, most recently deploying two disaster relief teams to Panama and Costa Rica to assist victims of severe flooding and landslides in November and December 2008.<sup>28</sup>

## Crime

Honduras, along with neighboring El Salvador and Guatemala, has become fertile ground for gangs, which have been fueled by poverty, unemployment, leftover weapons from the conflicts of the 1980s, and the U.S. deportation of criminals to the region. The two major gangs in Honduras—Mara Salvatrucha, or MS-13, and the 18<sup>th</sup> Street gang, or M-18—were first established in Los Angeles in the 1980s by Salvadoran immigrants who were excluded from Mexican-American gangs. The U.S. deportation of criminals back to the region in the 1990s may have helped lay the foundation for the development of MS-13 and M-18 in Central America.<sup>29</sup> Although estimates of the number of gang members in Central America vary widely, the U.S. Southern Command maintains that there are some 70,000, concentrated largely in Honduras, El Salvador, and Guatemala.<sup>30</sup>

During his term, President Maduro (2002-2006) increased the number of police officers and signed legislation that made *maras* (street gangs) illegal and gang membership punishable with 12 years in prison. Although the crackdown won popular support and initially reduced crime, its success was short-lived. Following his election, President Zelaya replaced the previous administration's zero-tolerance policy with dialogue and other outreach techniques designed to convince gang members to give up violence and reintegrate into society.<sup>31</sup> Failure to achieve concrete results, however, led the Zelaya Administration to shift its emphasis toward more traditional anti-gang law enforcement operations. The Administration increased the number of police and military troops in the streets and conducted raids against suspected criminals. Nonetheless, crime and violence in Honduras have continued unabated.<sup>32</sup>

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<sup>28</sup> "Stavridis Praises U.S.-Honduran Cooperation in Confronting Mutual Threats," *U.S. Fed News*, January 30, 2009.

<sup>29</sup> Ana Arana, "How the Street Gangs Took Central America," *Foreign Affairs*, May 1, 2005.

<sup>30</sup> House Armed Services Committee, Posture Statement of Gen. Bantz Craddock, Commander, U.S. Southern Command, March 9, 2005.

<sup>31</sup> "Honduran Government Reaches Out to Rehabilitate Gangs," *ACAN-EFE*, January 30, 2006.

<sup>32</sup> Marion Barbel, "Homicide Rate Confirms Honduras as One of Region's Most Violent Nations," *Global Insight Daily Analysis*, September 11, 2008.



Several U.S. agencies have been involved in assisting Honduras and other Central American countries in dealing with the gang problem.<sup>33</sup> On the law enforcement side, the FBI and the U.S. Immigration and Customs Enforcement (ICE) have worked closely with Honduran law enforcement and the United States has provided anti-gang training for Honduran police and prosecutors.<sup>34</sup> The U.S. Agency for International Development, while not having a specific program focusing on gangs, supports several programs that attack the risk factors associated with gang membership and violence. These include a program to provide basic education skills to at-risk youths and a program to improve the effectiveness and transparency of the justice system.<sup>35</sup> In July 2007, the United States pledged \$4 million to help Central American governments draft a regional security strategy to fight street gangs and drug trafficking.<sup>36</sup> As noted above, Congress has also provided funding to Central through the Mérida Initiative to boost the region's counternarcotics capabilities and support the development of a regional anti-gang strategy. In the 110<sup>th</sup> Congress, H.Res. 564 (Engel), approved by the House on October 2, 2007 by voice vote, recognizes that violence poses an increasingly serious threat to peace and stability in Central America and supports expanded cooperation between the United States and the countries in the region, including Honduras, to deal with youth gangs in Central America.

## Migration Issues

### Temporary Protected Status

In the aftermath of Hurricane Mitch in 1998, the United States provided temporary protected status (TPS) to eligible Hondurans who may otherwise have been deported from the United States. Originally slated to expire in July 2000, TPS status has now been extended seven times due to the U.S. government's assessment that Honduras would have difficulty in coping with the deportees returns. The most recent TPS extension came in October 2008, when then-Secretary of Homeland Security Michael Chertoff announced that the U.S. would continue provide TPS for an additional 18 months, expiring on July 5, 2010. Homeland Security officials maintain that the TPS extension was necessary because Honduras continues to face social and economic challenges in its efforts to restore the nation to normalcy despite the significant progress the country has made in terms of recovery and rebuilding. Some 78,000 Hondurans benefit from TPS.<sup>37</sup>

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<sup>33</sup> See CRS Report RL34112, *Gangs in Central America*, by Clare Ribando Seelke.

<sup>34</sup> House Committee on International Relations, Subcommittee on the Western Hemisphere, Statement of John P. Torres, U.S. Immigration and Customs Enforcement, U.S. Department of Homeland Security, Hearing on "Gangs and Crime in Latin America," April 20, 2005.

<sup>35</sup> U.S. Agency for International Development, "Central America and Mexico Gang Assessment, Annex 3: Honduras Profile," April 2006.

<sup>36</sup> "U.S. Offers Funds to Help Fight Central America Gangs," Reuters, July 18, 2007.

<sup>37</sup> U.S. Department of Homeland Security, Citizenship and Immigration Services, "Extension of the Designation of Honduras for Temporary Protected Status," October 1, 2008. For background on TPS, see CRS Report RS20844, *Temporary Protected Status: Current Immigration Policy and Issues*, by Ruth Ellen Wasem and Karma Ester.

## Deportations<sup>38</sup>

Deportations to Honduras have increased significantly over the past decade. About 30,000 Hondurans were deported from the United States in both FY2007 and FY 2008, making Honduras one of the top recipients of deportees on a per capita basis.<sup>39</sup> Increasing deportations from the United States have been accompanied by similar increases in deportations from Mexico, a transit country for Central American migrants bound for the United States. Honduran policymakers are concerned about their country's ability to absorb the large volume of deportees as it is often difficult for those returning to the country to find gainful employment. Individuals who do not speak Spanish, who are tattooed, who have criminal records, and/or who lack familial support face additional difficulties re-integrating into Honduran society. In addition to these social problems, leaders are concerned that remittances may start to fall if the current high rates of deportations continue.<sup>40</sup> In March 2007, the Honduran Congress approved a motion calling for the United States to halt deportations of undocumented Honduran migrants who live and work in the United States.<sup>41</sup>

Some analysts contend that increasing U.S. deportations of individuals with criminal records has exacerbated the gang problem in Honduras and other Central American countries. By the mid-1990s, the civil conflicts in Central America had ended and the United States began deporting unauthorized immigrants, many with criminal convictions, back to the region. Between 2000 and 2004, an estimated 20,000 criminals were sent back to Central America, many of whom had spent time in prisons in the United States for drug and/or gang-related offenses. Some observers contend that gang-deportees have "exported" a Los Angeles gang culture to Central America, and that they have recruited new members from among the local populations.<sup>42</sup> Although a recent United Nations study says that there is little conclusive evidence to support their claims, the media and many Central American officials have attributed a large proportion of the rise in violent crime in the region to gangs, particularly gang-deportees from the United States.<sup>43</sup> In July 2007 testimony before the House Subcommittee on the Western Hemisphere, the Honduran Ambassador to the United States asserted that although the United States provides information to countries on the criminal background of deportees, the information does not include whether the repatriated nationals are gang members. About 19% of Hondurans deported from the United States in FY2008 were removed on criminal grounds.<sup>44</sup>

<sup>38</sup> Clare Ribando Seelke contributed information to this section. Also see CRS Report RL34112, *Gangs in Central America*, by Clare Ribando Seelke.

<sup>39</sup> Information Provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Detention and Removal.

<sup>40</sup> Pamela Constable, "Deportees' Bittersweet Homecoming; Migration is Boon, Bane for Honduras," *Washington Post*, June 27, 2007.

<sup>41</sup> "CN Pide a EEUU que Cesen las Deportaciones de Compatriotas," *La Tribuna* (San Pedro Sula, Honduras), March 14, 2007.

<sup>42</sup> Ana Arana, "How the Street Gangs Took Central America," *Foreign Affairs*, May/June 2005.

<sup>43</sup> United Nations Office on Drugs and Crime (UNODC), *Crime and Development in Central America: Caught in the Crossfire*, May 2007.

<sup>44</sup> Information Provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Detention and Removal.



## Drug Trafficking

Honduras is a transit country for cocaine and heroin flowing from the Andean region of South America to the United States and Europe. It is also increasingly a transshipment point for precursor chemicals used in the production of methamphetamine. Remote and poorly controlled areas of Honduras along the country's north coast are natural safe havens for drug traffickers, providing them with isolated areas for trafficking operations, such as refueling maritime assets and making boat-to-boat transfers.

The U.S. State Department's 2009 International Narcotics Control Strategy Report acknowledges the government of Honduras for its ongoing cooperation with the United States on counternarcotics efforts, noting that successful joint operations led to an increase in narcotics arrests and seizures. In 2008, the government of Honduras seized 6.5 metric tons of cocaine, 2 kilograms of crack cocaine, 19.6 kilograms of heroin, 3 metric tons of marijuana, 3.5 million pseudoephedrine pills, and over five tons of precursor chemicals. These seizures also led to 721 arrests and the confiscation of \$6.7 million in assets. The United States has supported a variety of anticorruption, police training, and maritime operations programs intended to improve Honduras' counternarcotics capabilities.<sup>45</sup>

Honduras' counternarcotics efforts continue to face a number of obstacles, however, including funding constraints, official corruption, and insufficient precursor chemical controls. Additionally, Mexican drug cartels have now expanded their reach to Honduras. It has been reported that the Gulf and Sinaloa cartels now engage in direct and indirect operations within Honduras, especially along the northern and Atlantic coast, and that Los Zetas have cells in every department of the country.<sup>46</sup>

In October 2008, President Zelaya became the first Latin American president to openly suggest the legalization of drugs. He argued that narcotics trafficking has led to increased violence and that supporting addict treatment programs would be a better use of the government's resources.<sup>47</sup> Nonetheless, Honduras has continued its counternarcotics efforts. In January 2009, President Zelaya signed a letter of agreement with the United States to implement the Mérida Initiative, and in February 2009, the United States began construction on a counternarcotics base in the Honduran department of Gracias a Dios, which borders Nicaragua and the Caribbean and is a major corridor for traffickers.

## Human Trafficking

According to the State Department's 2008 Trafficking in Persons (TIP) Report, Honduras is a source and transit country for women and children trafficked for the purpose of commercial sexual exploitation. Many victims are trafficked from rural areas to tourist and urban locales such as San Pedro Sula, the north Caribbean coast, and the Bay Islands. Destination countries for trafficked Honduran women and children include the United States, Mexico, Guatemala, and El

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<sup>45</sup> U.S. Department of State Bureau for International Narcotics and Law Enforcement Affairs, "2009 International Narcotics Control Strategy Report (INCSR)," February 27, 2009.

<sup>46</sup> "Carteles mexicanos azotan a Honduras," *La Prensa* (Honduras), August 27, 2008; "Los Zetas hondureños, nueva pesadilla para los inmigrantes," *Tiempo* (Honduras), March 18, 2009.

<sup>47</sup> "Honduras floats drug legalisation," *Latin News Daily*, October 14, 2008.

Salvador. There are also foreign victims of commercial sexual exploitation in Honduras, most having been trafficked from neighboring countries, including economic migrants en route to the United States that have been victimized by traffickers.

While the State Department maintains that Honduras does not fully comply with the minimum standards for the elimination of trafficking, it notes that the government is making significant efforts to do so. As a result, Honduras is considered a so-called “Tier 2” country. The report recognizes the Honduran government’s increased efforts to investigate trafficking crimes. While, Honduras opened just 24 trafficking-related investigations in 2006, it opened 74 in 2007, leading to 13 prosecutions and 8 convictions. The report also recognized the government’s progress in trafficking prevention. In addition to conducting TV and radio awareness-raising campaigns, the Honduran government conducted 50 anti-trafficking training sessions for more than 3,000 government officials, civil society members, students, and journalists in 2007. Nonetheless, the report indicates a number of areas in which Honduras can do more to combat trafficking. It recommends that the Honduran government increase its shelter aid and victims services, amend anti-trafficking laws to prohibit labor trafficking, increase criminal investigations of corrupt public officials involved in trafficking activities, and enhance international collaboration to prosecute foreign tourists engaging in the exploitation of trafficked women and children.<sup>48</sup>

## **Port Security**

Honduras and the United States have cooperated extensively on port security. For the United States, port security emerged as an important element of homeland security in the aftermath of the September 11, 2001 terrorist attacks. Honduras views such cooperation as important in order to ensure the speedy export of its products to the United States, which in turn could increase U.S. investment in the country.

In March 2006, U.S. officials announced the inclusion of the largest port in Honduras, Puerto Cortés, in the U.S. Container Security Initiative (CSI). CSI is operated by the U.S. Customs and Border Protection (CBP) of the Department of Homeland Security, and uses a security regime to ensure that all containers that pose a potential risk for terrorism are identified and inspected at foreign ports before they are placed on vessels destined for the United States. Honduras also participates in the Department of Energy’s Megaports Initiative, which supplies ports with equipment capable of detecting nuclear or radioactive materials, and the Secure Freight Initiative (SFI), which deploys equipment capable of scanning containers for radiation and information risk factors before they are allowed to depart for the United States. Puerto Cortés was one of six ports around the world chosen to be part of the first phase of the SFI.<sup>49</sup>

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<sup>48</sup> U.S. Department of State Office to Monitor and Combat Trafficking in Persons, “Trafficking in Persons Report,” June 2008.

<sup>49</sup> U.S. Department of Homeland Security, “DHS and DOE Launch Secure Freight Initiative,” Press Release, December 7, 2006, and “Secure Freight Initiative Becomes Fully Operational in United Kingdom, Pakistan, and Honduras,” Press Release, October 12, 2007.

## **Author Contact Information**

Peter J. Meyer  
Analyst in Latin American Affairs  
pmeyer@crs.loc.gov, 7-5474

Mark P. Sullivan  
Specialist in Latin American Affairs  
msullivan@crs.loc.gov, 7-7689